

**Creative Commons Corporation**

Financial Statements

Year Ended December 31, 2009

## **Creative Commons Corporation**

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CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA

Bruce J. Wright, CPA

Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

## Independent Auditors' Report

### Board of Directors

### Creative Commons Corporation

We have audited the accompanying Statement of Financial Position of Creative Commons Corporation (a nonprofit organization) as of December 31, 2009, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated March 27, 2009, we express an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons Corporation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Good F&amp;E Fowler, LLP".

March 25, 2010

**Creative Commons Corporation**  
Statement of Financial Position  
December 31, 2009  
(With Comparative Totals at December 31, 2008)

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,139,975	\$ 1,423,332
Grants Receivable	2,509,928	2,195,000
Contributions and Other Receivables	402,251	305,167
Prepaid Expenses	<u>32,677</u>	<u>26,303</u>
Total Current Assets	<u>5,084,831</u>	<u>3,949,802</u>
<b>NONCURRENT ASSETS</b>		
Grants Receivable	2,752,250	4,722,913
Investments	-	11,622
Security Deposit	7,105	7,105
Property and Equipment - Net	<u>17,893</u>	<u>36,305</u>
Total Noncurrent Assets	<u>2,777,248</u>	<u>4,777,945</u>
Total Assets	<u>\$ 7,862,079</u>	<u>\$ 8,727,747</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 41,627	\$ 44,727
Accrued Expenses	<u>128,637</u>	<u>85,772</u>
Total Liabilities	<u>170,264</u>	<u>130,499</u>
<b>NET ASSETS</b>		
Unrestricted	1,134,926	120,287
Temporarily Restricted	<u>6,556,889</u>	<u>8,476,961</u>
Total Net Assets	<u>7,691,815</u>	<u>8,597,248</u>
Total Liabilities and Net Assets	<u>\$ 7,862,079</u>	<u>\$ 8,727,747</u>

**Creative Commons Corporation**  
Statement of Activities  
Year Ended December 31, 2009  
(With Comparative Totals for the Year Ended December 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
<b>REVENUE AND GAINS</b>				
Foundation Grants	\$ 355,000	\$ 578,064	\$ 933,064	\$ 7,345,493
Contributions	1,169,719	346,763	1,516,482	3,123,495
In-Kind Contributions	242,210		242,210	377,443
Interest Income	690		690	14,720
Foreign Currency Translation Gain (Loss)	676		676	(15,748)
Net Realized and Unrealized Gains (Losses)	4,730		4,730	(13,380)
Dividend Income	73		73	86
Other Income	39,661		39,661	50,579
	<u>1,812,759</u>	<u>924,827</u>	<u>2,737,586</u>	<u>10,882,688</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of Program Restrictions	<u>2,844,899</u>	<u>(2,844,899)</u>	<u>-</u>	<u>-</u>
Total Revenue and Gains	<u>4,657,658</u>	<u>(1,920,072)</u>	<u>2,737,586</u>	<u>10,882,688</u>
<b>EXPENSES</b>				
Program Services	2,794,747		2,794,747	3,096,187
Supporting Services				
Management and General Expenses	521,987		521,987	502,785
Fundraising Expenses	<u>326,285</u>		<u>326,285</u>	<u>302,739</u>
Total Expenses	<u>3,643,019</u>	<u>-</u>	<u>3,643,019</u>	<u>3,901,711</u>
<b>CHANGE IN NET ASSETS</b>	1,014,639	(1,920,072)	(905,433)	6,980,977
<b>NET ASSETS, BEGINNING OF YEAR</b>	120,287	8,476,961	8,597,248	1,840,243
<b>SEPARATION OF OPERATIONS - iCommons Ltd.</b>	-	-	-	(223,972)
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,134,926</u>	<u>\$ 6,556,889</u>	<u>\$ 7,691,815</u>	<u>\$ 8,597,248</u>

**Creative Commons Corporation**  
Statement of Functional Expenses  
Year Ended December 31, 2009  
(With Comparative Totals for the Year Ended December 31, 2008)

	Program Services				Supporting Services				2008 Total Expenses
	CC Core	Science Commons	CC International	Learning Commons	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 429,650	\$ 448,928	\$ 284,775	\$ 264,510	\$ 1,427,863	\$ 192,518	\$ 233,669	\$ 426,187	\$ 1,854,050
Payroll Taxes	31,448	32,859	23,974	19,361	107,642	14,091	17,103	31,194	133,361
Employee Benefits	38,032	39,738	28,993	23,414	130,177	17,041	20,684	37,725	167,902
	499,130	521,525	337,742	307,285	1,665,682	223,650	271,456	495,106	2,160,788
Consulting and Design	231,372	79,060	43,041	12,000	365,473	177,514	75	177,589	543,062
Travel and Conferences	130,189	88,030	53,515	34,366	306,100	16,172	20,121	36,293	342,393
Legal Fees	242,816		3,554		246,370			-	246,370
Occupancy	42,435	22,860	13,354	13,469	92,118	9,803	11,899	21,702	113,820
Telephone	10,043	11,677	6,525	5,300	33,545	3,567	4,330	7,897	41,442
Licenses and Fees	35,800				35,800	1,885		1,885	37,685
Insurance			108		108	34,093		34,093	33,479
Depreciation					-	25,417		25,417	26,837
Professional Services	4,727	4,939	3,604	2,910	16,180	2,118	2,571	4,689	20,869
Supplies	5,112	4,769	3,089	2,482	15,452	1,791	2,174	3,965	19,417
Accounting Fees					-	16,000		16,000	16,000
Technology	6,929	5,136	1,635	465	14,165	37	45	82	14,247
Publicity and Communication					-	66	12,991	13,057	6,653
Bank Charges			307		307	4,498		4,498	4,805
Printing		1,052	768	620	3,447	451	548	999	4,446
Membership and Dues	1,007				-	2,505		2,505	2,505
Training					-	1,574		1,574	1,574
Recruiting					-	640		640	640
Board Cultivation and Meetings					-	206		206	206
Fund Raising Expenses					-		75	75	75
Total Expenses	\$ 1,209,560	\$ 739,048	\$ 467,242	\$ 378,897	\$ 2,794,747	\$ 521,987	\$ 326,285	\$ 848,272	\$ 3,643,019
									\$ 3,901,711

**Creative Commons Corporation**  
Statement of Cash Flows  
Year Ended December 31, 2009  
(With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (905,433)	\$ 6,980,977
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	25,417	26,837
Realized and Unrealized (Gain) Loss on Investments	(4,730)	13,380
(Increase) Decrease in Operating Assets		
Grants Receivable	1,655,737	(6,117,914)
Contributions and Other Receivables	(97,086)	(246,408)
Prepaid Expenses	(6,374)	9,391
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(3,100)	8,157
Accrued Expenses	42,865	647
Net Cash Provided by Operating Activities	<u>707,296</u>	<u>675,067</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(7,005)	(18,661)
Proceeds from Sale of Investments	16,352	-
Net Cash Provided (Used) by Investing Activities	<u>9,347</u>	<u>(18,661)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of Notes Payable	-	(450,000)
Separation of Operations - iCommons Ltd.	-	(223,972)
Net Cash (Used) by Financing Activities	<u>-</u>	<u>(673,972)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	716,643	(17,566)
<b>CASH, BEGINNING OF YEAR</b>	<u>1,423,332</u>	<u>1,440,898</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,139,975</u>	<u>\$ 1,423,332</u>

**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2009

**1. Summary of Organization and Significant Accounting Policies**

**Organization** – Creative Commons Corporation (Creative Commons) is a Massachusetts charitable corporation devoted to expanding the range of creative work available for others to build upon and share. Because it can be expensive and burdensome to secure legal permission to use a copyrighted work, Creative Commons enables users of knowledge, information and culture to benefit more fully from those resources by providing free permission forms that authors can use to grant permission to the public to copy, amend, distribute or otherwise utilize their works for a greater range of purposes. Creative Commons provides a range of licenses as well as web-based tools to publish and search for content that is free to use for such purposes.

Creative Commons provides further tools to make academic research and educational materials more freely available and ultimately improve innovation and educational outcomes. It has produced the Scholar's Copyright Addendum to allow authors of journal articles to retain the right to self-publish their manuscripts rather than leaving control in the hands of the journal publisher. It has developed software tools used by universities to enable faculty to self-archive these documents. It has also worked to design mechanisms that allow researchers to contribute data from experimental work to centralized databases where it may be accessed by other scientists. It is also developing patent and data sharing protocols to further collaboration on neglected diseases.

Open Educational Resources developed by institutions, communities, and individuals use Creative Commons licenses as their basis for interoperability, permitting linguistic and cultural translation of quality educational materials for use around the world. Creative Commons is developing software and metadata standards that will make relevant educational materials more discoverable.

Creative Commons' licenses have been translated and adapted for use in more than 52 countries with 20 more jurisdictions in process. Creative Commons is a major player in the "free culture," "open access," "open education," and "open government" environments not only in the US but on a worldwide basis.



**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2009  
(Continued)

1. **Summary of Organization and Significant Accounting Policies** – continued

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, Creative Commons is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents** – For purposes of the Statement of Cash Flows, Creative Commons considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Grants Receivable** – No allowance for doubtful accounts is considered necessary since the receivables relate primarily to foundation agencies and corporations.

**Contributions Receivable** – Unconditional receivables are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional receivables are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. No allowance for uncollectible receivables has been recorded based on management's evaluation of collections.

**Investments** – Investments, consisting of nationally traded securities, are stated at fair market value.

**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2009  
(Continued)

1. **Summary of Organization and Significant Accounting Policies – continued**

**Property and Equipment** – Creative Commons capitalizes all expenditures for property and equipment in excess \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

**Restricted and Unrestricted Revenue** – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Donated Services** – The financial statements reflect \$242,210 for donated legal services to evaluate ongoing tax, trademark, and copyright implications of its new programs and existing services.

**Fair Value of Financial Instruments** – The carrying amount of cash, grants receivable, contributions and other receivables, prepaid expenses, accounts payable, and accrued liabilities, none of which are held for trading purposes, approximate the fair value due to the short-term maturities of those instruments.

**Income Taxes** – Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3). Creative Commons qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

**Functional Allocation of Expenses** – Costs of providing programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated to the programs and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

**Creative Commons Corporation**

Notes to Financial Statements

December 31, 2009

(Continued)

1. **Summary of Organization and Significant Accounting Policies** – continued

**Reclassifications** – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

2. **Concentration of Credit Risk**

Creative Commons maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2009, the uninsured cash balances total \$1,896,317.

3. **Grants Receivable**

Grants Receivable include the following unconditional promises to give:

Total Temporarily Restricted Promises to Give	\$ <u>5,396,178</u>
Receivable in less than one year	\$ 2,509,928
Receivable in one to five years	<u>2,886,250</u>
Total unconditional promises to give	5,396,178
Less: discounts to net present value	<u>(134,000)</u>
Net unconditional promises to give at December 31, 2009	\$ <u>5,262,178</u>

Promises to give receivable in more than one year are discounted at 3%.

4. **Property and Equipment**

Computer Equipment	\$ 97,660
Furniture and Equipment	<u>34,260</u>
Subtotal	131,920
Less: Accumulated Depreciation	<u>(114,027)</u>
Property and Equipment - Net	\$ <u>17,893</u>

**Creative Commons Corporation**

Notes to Financial Statements

December 31, 2009

(Continued)

**5. Temporarily Restricted Net Assets**

Restricted as to purpose and time:

General Support	\$ 4,807,225
Learning Commons	1,682,647
Endowment Campaign	<u>67,017</u>
Total	\$ <u>6,556,889</u>

**6. Operating Lease**

Creative Commons entered into a five year building lease agreement for its program facilities in San Francisco, California expiring April 2012. For the year ended December 31, 2009, total rent expense under this lease was \$90,856.

Minimum future lease payments are as follows:

<u>Fiscal Year Ending December 31,</u>	
2010	\$ 94,135
2011	97,414
2012	<u>28,691</u>
Total	\$ <u>220,240</u>

**7. Pension Plan**

Creative Commons has a Tax Sheltered Annuity under IRC 403(b), which allows all employees to contribute through payroll deductions. Matching contributions made during the year ending December 31, 2009 totaled \$79,581.

**8. Subsequent Events**

Management has evaluated subsequent events to March 25, 2010, the date which the financial statements were available to be issued, and determined that no reportable events occurred.